

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 14, 2002

PRESENT: Chairman John Byrne and Commissioners Anthony Maiola and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; George Tsiopras, Chief Accountant; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclowski, Law Warehouses

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Store Sales Reports:

The SA1000 report for the week ending February 10, 2002 shows retail sales were up 7.62%, on-premise sales were up 1.79%, off-premise sales were up 6.5% and total sales were up almost 6%. The traffic count increased by 2,009, as did the average sales ticket by \$1.39.

The W-1 Total Weekly Sales report for this period shows total weekly sales increased by 5.96% or \$275,980 over the same week last year, and also increased for the year by 6.9% or \$13,708,021. Wine sales were up for the week by about 9% or \$197,096 as they were for the year by almost 9.2% or \$8,186,569. Sales of spirits for the week were up 4.3% or \$107,747 and were also up year-to-date by 5.93% or \$6,605,117.

B. Budget Reports:

According to the latest W-6 Expense Budget Activity Variance Report, the year is at 62.19% complete, with agency totals at 62%. Classes 50 and 60 continue to be problem areas and are starting to make an impact, specifically on licensing and enforcement. These two accounts will continue to be closely monitored.

There are no delinquencies to report regarding outstanding depletions and post-offs.

Craig was pleased to report that the extension of the Law contract was ready for signature, which will then go over to the Attorney General's office and then to Governor and Council. Brian Law was present at the meeting to answer any questions. The Chairman remarked that there would be no increase in bailment charges. He also did not feel it would be necessary to meet with the grocers and lodging associations to explain the contract.

George reported there will be a meeting this week to put together a second draft of the credit card RFP. Another meeting will then be held next week to finalize the draft, which should be completed before the current contract with Fleet ends. However, if need be, the current one can be extended.

Work continues on finalizing the accounting software package contract with DITM. It should have all signatures by next week.

2. IT Reports

The Dell contract has been sent back to Dell with recommended changes/objections from the Attorney General's Office. A letter of approval is then needed from DITM. It will be three or four weeks after the contract is approved by Governor and Council (hopefully at the March 6th meeting) before any equipment is received, which Howard estimated would be mid-April or early May. With 90 desktops to install, final installation will probably occur around July.

Howard reported that several tasks are being worked on. One is the format for new shelf labels for marketing. Another is the ability to obtain sweepstakes information directly from spreadsheets. He also distributed proposed possible changes to the web site real estate page.

II. MARKETING & SALES REPORTS

1. Store Operations

The W-8 Sales Analysis by Location report for the week ending 2/10/02 indicates that total store sales were up \$234,833 over the same week last year, which represents an increase of 6.74%. Cluster 5 stores, in particular, showed some very substantial gains. On Sunday, February 10, there was a 9% decrease in sales, a 1% increase in the customer count and a 4% increase in work hours. Inclement weather may have had an impact on some stores.

Store #6 Portsmouth experienced problems with it's hard drive; however, the switch to stand alone mode was made and the problem alleviated.

Peter remarked that Store #66 Hooksett, which has been undergoing renovations, should be in very good shape for the upcoming holiday weekend.

The Dream Kitchen Give Away kickoff will be next Wednesday at the Capitol Center for the Arts. Representatives from Robert Mondavi and Martignetti will attend, and everyone is invited.

There have been some complaints from customers who are unable to read the prices on higher shelf captions. Peter explained the changes that have been made to eliminate this, which includes six different caption versions. Chairman Byrne suggested trying electronic or digital captioning in a small number of stores.

2. Warehouse Report

There was nothing of significance to note regarding the current warehouse report.

Mike Goclowski gave a report regarding the number of licensees using the phone system versus the web to order product. There appear to be an inordinate number of bottles being ordered through Cheryl LaPlante at the Commission. 380 different licensees, mostly small operations, fax or mail their orders rather than using Law's web site. Chairman Byrne thought it was just a matter of showing customers how to use it. John Bunnell will look into this matter.

3. Purchasing Report

John Bunnell noted that there were no items on the current out-of-stock report which were of significance.

4. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Item (Sea Wynde Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./MHW, Ltd. for a new test market product listing for Sea Wynde Pot Still Rum, 750ML size (assigned Code #4260), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Item (Tortilla Gold):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from White Rock Distilleries for a new test market product listing for Tortilla Gold Tequila, 80 proof, 1.75L size (assigned Code #3960), as recommended

by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Item Recommendation (Arctic Vodka & Strawberry):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission delist Code #5636, Arctic Vodka & Strawberry, 750ML size, as the item failed to achieve the required gross profit for full distribution and/or specialty listing during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Black Haus Liqueur, 50ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc., to list Black Haus Liqueur, 750ML size (assigned Code #5157), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) April Special Offers:

a. 28 items – Executive Wine & Spirits/Martignetti:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of twenty-eight (28) spirit items, to be featured on sale during April 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 49 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty-nine (49) spirit items, to be featured on sale during April 2002, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listing (general distribution – 4 codes):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve general distribution of the following four (4) wine codes, each of which has earned a gross profit of at least \$6,500., the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #33312, Shiraz Gossamer Bay Cal., 1.5L, Code #34429, Merlot Frei Bros. Reserve N. Coast, 750ML; Code #34430, Pinot Noir Frei Bros. Reserve Russian River, 750ML (to be initially distribution of Cluster 1 and 2 stores); and Code #33874, Pinot Grigio Bella Sera Dl. Vnz., 1.5L (to be initially distributed to Clusters 1 through 6). The motion was unanimously adopted.

- 2) Beringer Nouveau, Code #29526:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company on all remaining store inventory of Code #29526, Beringer Nouveau, 750ML size in order to deplete remaining inventory, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Primary Source Submissions (24 primary source; 11 exclusive agent):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of twenty-four (24) wine items which are from primary source and eleven (11) wine items which are offered by the exclusive marketing agent, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all requests for bailment releases/transfers dated February 8 through February 14, 2002. The motion was unanimously adopted.

2. Coupon Approvals: None.

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3. Late Items:

None.

John W. Byrne, Chairman

Anthony C. Maiola, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford